

RESTRUCTURING OF BC RAIL PORT SUBDIVISION

REQUEST FOR PROPOSALS

SITUATION OVERVIEW

The Province of British Columbia (the “Province”) is pursuing the restructuring of the Port Subdivision operations (the “Port Subdivision”) owned by the British Columbia Railway Company and its subsidiaries (“BCRC”). The Port Subdivision is comprised of two business segments: (i) the Port Subdivision railway operations (“Rail Operations”), and (ii) land leased to the Vancouver Port Authority (“VPA”) under a long-term lease utilized as part of the Deltaport intermodal yard (“Intermodal Yard Lease”). Qualified parties will be invited to submit expressions of interest regarding either or both business segments.

The Province has retained TD Securities Inc. (“TD Securities”) as its exclusive financial advisor in connection with the restructuring initiative. Interested parties should contact TD Securities with regard to the Port Subdivision restructuring process. Contact information is included on page 4 of this document.

BC RAIL PORT SUBDIVISION DESCRIPTION

Rail Operations

The Port Subdivision is a 37.3 km (23.3 mile) rail line owned by BCRC, extending from Pratt, in the Fraser Valley, to Roberts Bank on a causeway extending 5 km into the Strait of Georgia adjacent to the Tsawwassen Ferry Terminal. BCRC owns, operates and maintains the Port Subdivision railway line infrastructure but does not operate any of its own trains on the rail line. The Port Subdivision is the sole rail access into and out of Roberts Bank.



Figures 1 and 2 – Port Subdivision Overview

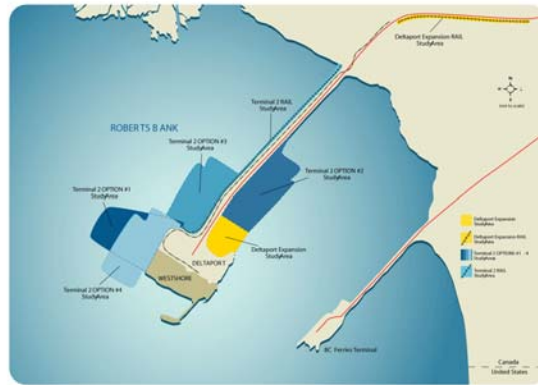
Under agreements with the Port Subdivision railway line users - Canadian Pacific Railway Limited (“CPR”), Canadian National Railway Company (“CN”) and Burlington Northern Santa Fe Corporation (“BNSF”) - BCRC charges for all capital and operational costs on a prorated user pay basis based on rail cars running over the Port Subdivision. These users provide service to the two port terminals at Roberts Bank at the end of the causeway - Westshore Terminals Income Fund (“Westshore Terminals”), a coal terminal and Deltaport, a container terminal.

Intermodal Yard Lease

BCRC owns approximately 18.4 acres of land on the Roberts Bank causeway that is leased to the VPA. This leased area is currently used for an intermodal yard facility that services the Deltaport container terminal operations.

ROBERTS BANK OVERVIEW

The Roberts Bank terminal facilities are comprised of two major terminal operations: Westshore Terminals, which focuses on coal transportation, and Deltaport, a state-of-the-art container terminal. The Port Subdivision services both terminal facilities through common entry trackage at Roberts Bank.



Source: Vancouver Port Authority

Figure 3 – Roberts Bank Existing and Possible Expansion Opportunities

Westshore Terminals

Westshore Terminals operates a coal storage and loading terminal that is the largest coal loading facility on the west coast of the Americas. Westshore estimates that throughput capacity at the terminal is now 26 million tonnes annually, with storage capacity of approximately 2.4 million tonnes. The facility has two deep-sea berths for ship loading, one built in 1970 (Berth 2) and one in 1984 (Berth 1). Berth 1 can handle ships up to 260,000 deadweight tonnes while Berth 2 can handle ships up to 150,000 deadweight tonnes.

Westshore Terminal also owns a 9.1% interest in the Fording Canadian Coal Trust (“Fording”). Shipments of coal from mines owned by Fording accounted for 97% of Westshore’s revenues in 2002. Coal from Westshore Terminals is shipped to approximately 20 countries worldwide.

Deltaport

Deltaport began operations in June 1997, and is a design, construction, and operating partnership between the VPA, TSI Terminal Systems Inc. (“TSI”), CN and CPR. It is a state-of-the-art container facility and is operated by TSI. The terminal is located on 160 acres and consists of two berths for loading and unloading post-Panamax vessels with a current capacity of over one million twenty-foot equivalent units (“TEUs”) per year.

It is anticipated that Deltaport will be expanded in the next decade, based on expected growth in the container shipping industry. According to the VPA, major ports in the Pacific Northwest expect their container traffic to more than double over the next 20 years. The VPA is evaluating its options to expand the Roberts Bank facilities to include a new third berth at Deltaport and a new three-berth container terminal (Terminal 2). Completion of both expansion initiatives would increase capacity to 3.2 million TEUs, more than three times the current level. If expansion proceeds, construction is expected to begin in mid-2005, with the Deltaport third berth being completed by late 2007 and Terminal 2 being completed by late 2009.

STRUCTURE

The Province intends to organize the Port Subdivision using a newly incorporated subsidiary of BCRC (“BCR Port Subdivision Ltd.”). The Province will retain ownership of the railway land, rail bed and tracks supporting the Rail Operations. Accordingly, prior to closing a transaction, the Port Subdivision real property and railway infrastructure will be transferred to BCRC and BCR Port Subdivision Ltd. will be granted a long-term lease of those assets. Current Port Subdivision material contracts will also be assigned to BCR Port Subdivision Ltd.

INVESTMENT HIGHLIGHTS

Stable Cash Flows and Traffic

- Strong and stable cash flow generation from both the Rail Operations and the Intermodal Yard Lease
- The agreements with the rail users allow the Port Subdivision to charge, on a prorated basis, all operational and maintenance costs associated with the rail-line, along with a return on capital

Well-respected Major Carriers Operating on Line Under Long-Term Contracts

- The Port Subdivision has long-standing relationships and long-term contracts with three major rail operators: CPR, CN and BNSF
- The majority of traffic along the Port Subdivision is currently operated by CPR with CN’s role anticipated to expand with the growth of Deltaport
- The agreements with the three rail operators were originally entered into in 1970 and renewed in 1991 for another 21 years

Exclusive Ability to Transport Roberts Bank Traffic by Rail

- The Port Subdivision trackage is the only rail access to the two terminals located at Roberts Bank
- Westshore Terminals is the largest coal loading facility on the west coast of the Americas and has an estimated throughput capacity of 26 million tonnes per year
- Deltaport has a capacity of more than one million TEUs per year and is the VPA’s state-of-the-art container facility

Track and Traffic Expansion Opportunities

- The VPA expects major growth in container traffic over the next two decades and is evaluating plans to expand the container handling facilities at Roberts Bank to a total capacity of 3.2 million TEUs
- An expansion would involve the addition of a third berth at Deltaport and a new three berth container terminal
- Both the Deltaport expansion and the new terminal may require improvements to the existing rail infrastructure. Both would lead to expanded container traffic being transported over the rail-link

PROCESS

The Province has retained TD Securities to act as its exclusive financial advisor for the Port Subdivision restructuring initiative. Parties that are interested in evaluating the Port Subdivision opportunity are invited to contact the TD Securities representatives listed below and may be required to provide corporate background, operational and financial resource information. Interested parties will be qualified by the Evaluation Committee, which has been appointed by the Province. In order to submit an expression of interest, proponents must contact TD Securities for additional information (contact information noted below).

The transaction process has been designed to ensure that the Port Subdivision will continue to operate in an open and efficient manner that is consistent with historical performance and that recognizes and addresses stakeholder concerns. Following review of the CIM, interested parties will be invited to submit expressions of interest regarding either the Port Subdivision Rail Operations or the Intermodal Yard Lease, or both. As it is BCRC's desire to complete the restructuring of the Port Subdivision in a timely and efficient manner, preference may be given to proponents interested in the acquisition of all of the Port Subdivision assets. Expressions of Interest will be evaluated based on a number of key considerations including, but not limited to:

- **Accessibility** – non-discriminatory access for all rail carriers
- **Qualifications** – ability to operate and maintain rail facilities and provide related services
- **Efficiency** – optimization of traffic flow
- **Cost Control** – ability to maintain or lower operational costs
- **Consistency** – assumption of existing operational agreements and commitment to operate in a fair and equitable manner consistent with past practices
- **Financial Capacity** – ability to finance the growth of the Port Subdivision to accommodate future development at the port terminals
- **Responsiveness** – ability to complete a transaction in a timely manner
- **Value to Shareholder** – optimization of the Port Subdivision value realized by the Province

Following submissions of expressions of interest, a data room containing more detailed information regarding the Port Subdivision will be made available to selected parties. Please note expressions of interest are due to the Vancouver offices of TD Securities Inc. on December 5, 2003, by 2:00 pm (PST).

CONTACT INFORMATION

All inquiries or communications should be directed to one of the TD Securities representatives listed below. Direct contact with BCRC or the Government of British Columbia regarding any aspect of your interest is expressly forbidden.

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The information contained in this business overview is provided as background information only to parties interested in the British Columbia Railway Company's Port Subdivision. None of British Columbia Railway Company, TD Securities or any of their respective affiliates, directors, officers, employees, shareholders, representatives or agents accepts any responsibility or liability whatsoever for this information and interested parties are encouraged to independently verify the accuracy of information they consider important to their evaluation of this opportunity.